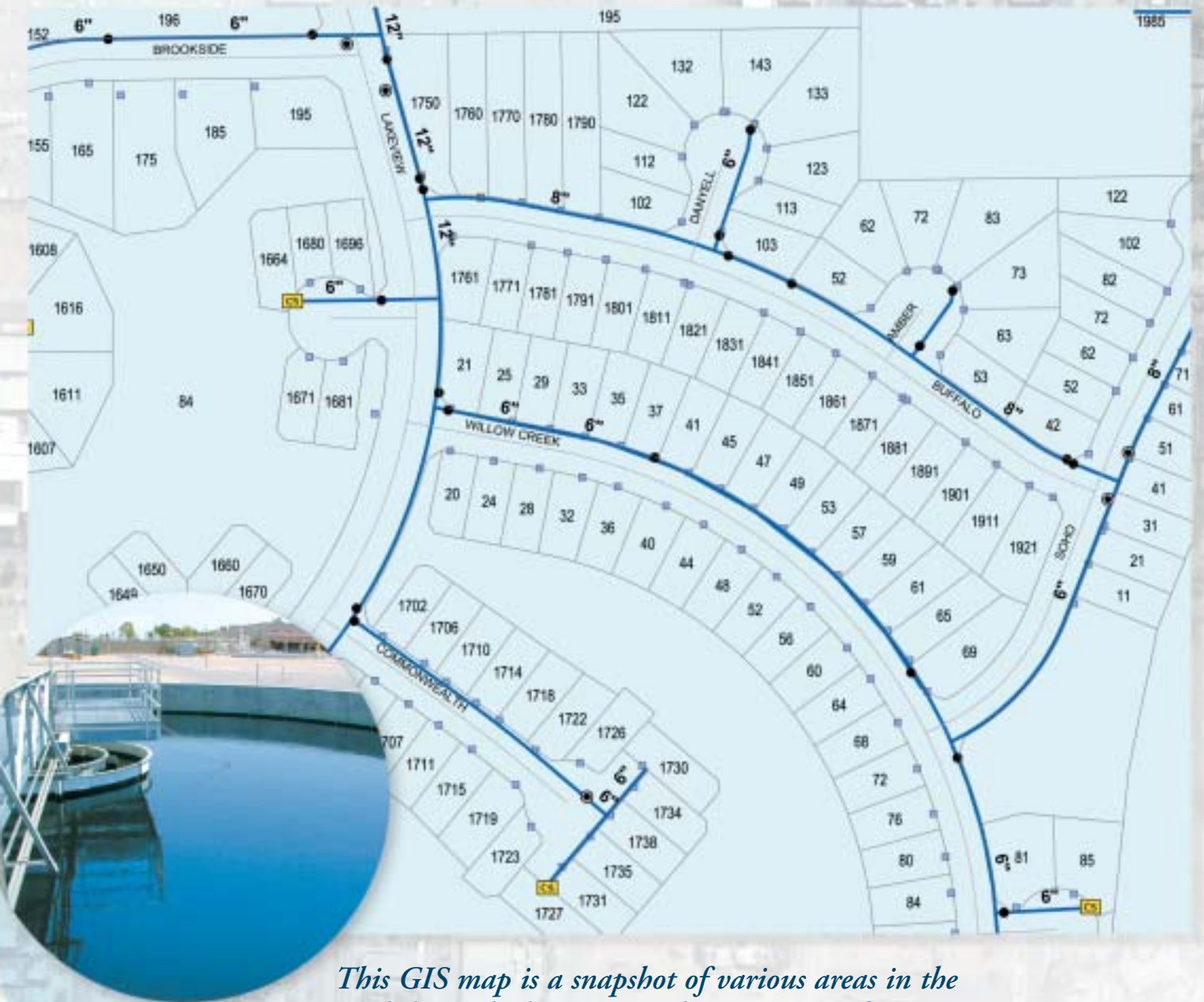


BUDGET MESSAGE AND OVERVIEW

2 Contents

- *City Manager's Message*
- *An overview of the Annual Budget through financial, fund balance and personnel summaries*



Chandler • Arizona
Where Values Make The Difference



To the Honorable Mayor and Members of the City Council:

I am pleased to submit the City of Chandler 2003-04 Annual Budget as approved by Council June 12, 2003.

Council's vision for the future has put Chandler in an enviable position. As a result of a well planned, fiscally sound, diversified community, we are not experiencing layoffs, cutbacks or reductions in our budget.

This budget is reflective of providing what we believe is necessary to maintain quality service levels while maintaining financial stability despite the economic times we are facing. Economic and national events have impacted the revenues throughout the state, resulting in reductions in State-shared revenues to Chandler totaling over \$3 million dollars for the upcoming year. In addition, the City's costs for retirement and medical benefits have increased significantly, resulting in a reduction of on-going funds available for distribution.

This Budget embodies the following policies that have made the City financially strong and stable:

- ◆ the budget **implements sound financial policies** adopted by Council;
- ◆ the budget provides **that current revenues support current expenditures**, to ensure we are living within our means;
- ◆ the budget **maintains a general fund contingency reserve equal to 15% of general fund revenues and a 25% contingency reserve for water and wastewater funds** to ensure adequate dollars are available for fluctuations in collections and/or unforeseen emergencies;
- ◆ the budget **sets aside fund balances above the 15% to be used for one-time capital expenditures** rather than increasing long-term obligations;
- ◆ the budget **includes no increases in business and residential utility, sales tax, or property tax rates**.

These policies along with budget guidelines and major issues of this financial plan are discussed more fully in the Budget Policies chapter of this document.

The City Council and staff has worked hard to attain financial stability, and we want to keep it that way. To maintain this status, we have prepared a conservative budget in light of the unknown economic climate we may continue to face next fiscal year. With continued growth in all areas, commitment to a vision for Chandler by Council, and an efficient staff utilizing resources in the most cost effective manner, Chandler will continue to be a quality community that is fiscally healthy.

BUDGET HIGHLIGHTS

The 2003-04 Adopted Budget totals \$607,370,625 and includes an operating budget of \$176,153,605, capital expenses (non-grant) of \$262,228,712, funding for Debt Service of \$35,546,789, interfund charges for capital replacement of \$3,758,748, grant expenses (includes capital) of \$37,315,795, plus a contingency and reserve in the amount of \$92,366,976. Included in the projected operating revenues of \$259,333,360 is a property tax levy of \$20,764,445 based on the rate of \$1.28 per \$100 assessed property value. This year's budget is slightly less than last year's budget of \$619-million (1.9% decrease). The majority of the decrease is a result of selling less bonds in 2003-04. The fund balance is about the same, but includes the \$36-million bond sale that was held in June.

The sharp decline in state income tax collections over the past few years has resulted in a \$70-million reduction of urban revenue sharing to Arizona cities; Chandler's reduction was over \$3-million for 2003-04. The Arizona State Retirement System (ASRS) has increased the retirement contribution rate from 2.49% to 5.7%, resulting in \$1.5 million in additional costs to the City. Medical and dental increases of 33% last fiscal year and a projected 30% increase for next fiscal year has resulted in over \$1 million dollars in costs for the upcoming year. With a loss of approximately \$3.5 million revenue and increased expenses of over \$2.5 million, staff had to find ways to provide increasing service level demands to our citizens with existing resources.

Budget Message and Overview

For the second year in a row departments were not given a base adjustment factor (BAF) for their operating and maintenance expenditures. The only new positions added for next fiscal year were ones that generated more revenue than their cost such as a Tax Auditor, or essential positions that could be covered by enterprise revenues. Departments were asked to look within their own budget to cover new or increased on-going costs with the understanding that additions may not be seen until the economy begins to turn around. However, there were one-time funds available to provide essential one-time additions to departments. Details of new on-going or one-time allocations plus budget amendments are in the Budget Policies and Major Issues chapter of this document.

Due to the increased staff benefit costs, it was recommended that no general salary increase be given to employees for fiscal year 2003-04. However, Chandler will maintain their historical pay for performance plan with a maximum 5% merit increase for full performers who are not at a maximum of their salary range.

Over \$279-million (46%) of the 2003-04 budget represents capital appropriations. The majority of this is the Capital Improvement Program (CIP) which adds to the City's infrastructure (e.g. fire or police stations, park improvements, street reconstruction, water treatment plants, etc). The CIP is a five-year plan of major projects updated annually, which acts as a multi-year planning instrument for managing growth and development within Chandler. The first year of the CIP serves as the basis for the capital appropriation for the 2003-04 budget. About \$134-million has been allocated for new capital projects in the upcoming fiscal year; an additional \$123-million is appropriated in carryforward reserves for on-going CIP projects that were not completed at the close of the prior year. Details of all 2003-04 capital appropriations are included in the Capital Budget chapter of this document. A separate document entitled "Capital Improvement Program 2003-2008" shows Chandler's five-year plan with detailed descriptions of capital projects and the five-year cost estimates for all capital improvements.

Although the CIP is prepared separate from the Operating Budget, the two have a direct relationship. It is Chandler's philosophy that new capital projects should not be constructed if operating revenues are not available to cover the operating costs. As capital projects are completed, operation and maintenance of these facilities must be absorbed in the operating budget to provide on-going services to citizens. In light of many economic factors that are impacting our community at this time, staff was asked to re-prioritize capital projects over the upcoming five-year period, and whenever possible, defer the building of facilities needing new personnel or on-going costs.

The City is projected to show a decrease in commercial growth compared to previous years as a result of completion of the Chandler Fashion Center Mall and surrounding power centers. However, commercial and industrial growth will continue at a modest rate as compared to other communities, and residential growth is to remain strong with revised projections showing 90% build-out of residential growth in ten years. Currently, a build-out strategy study is underway which will address our ability to maintain quality services to our citizens while still maintaining financial stability. Once completed, this build-out strategic plan will assist Council in making proactive, policy decisions to continue to support our strong economic base. The build-out plan will be brought forward to Council during fiscal year 2003-04.

As we look to the future with a commitment to ensure that Chandler remains a viable community, it is important to celebrate some accomplishments attained over the past year. The guidance and leadership provided by the Mayor and Council, along with the dedication of City staff, have made these accomplishments possible.

2002-03 ACHIEVEMENTS

The Government Finance Officers Association has awarded the City its 15th consecutive Distinguished Budget Presentation Award for fiscal year 2002-03 and its 20th consecutive Certificate of Achievement in Financial Reporting for the comprehensive annual financial report, the highest form of recognition in the area of governmental accounting and financial reporting.

The City of Chandler's general obligation bonds received a bond rating upgrade of AAA (highest bond rating) from Fitch Ratings and an upgrade from AA to AA+ by Standard & Poor's.

Communications and Public Affairs was the recipient of several awards including: the 2002 Savvy and Ray Bancroft Awards for the "CityScope" citizen newsletter; the 2002 Award of Excellence for its monthly Fire Department magazine-style show "First Due"; the Award of Distinction for 2002 Communicator Award plus the 2003 Videographer Award for both the "CityScope" video magazine show and the "Public Works at Work" monthly magazine-style show featuring the Public Works and Municipal Utilities departments.

Budget Message and Overview

The Commercial Reinvestment Program was created. Its goal is to provide grants to selected commercial centers for upgrading the appearance of the centers while lowering the vacancy rates.

In November, 2002, the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) awarded the Chandler Police Department with its second re-accreditation. The award followed a review of 444 standards of professional excellence as well as a hearing held by CALEA commissioners.

The City either sponsored or co-sponsored over twenty special events. In addition, the Ostrich Festival was successfully moved from Downtown Chandler to Tumbleweed Park.

The City administered more than 15 Neighborhood Matching Grant projects and distributed \$75,000 for various neighborhood projects.

The City Council initiated the Architectural Excellence and Design Awards program and the creation of a committee of seven members that will meet annually to recommend award nominees to the Council.

The City has received the National Institute of Governmental Purchasing (NIGP) Outstanding Agency Accreditation Achievement Award for excellence in public procurement – one of just 53 cities nationally to earn this distinction.

A grant was received for the Seniors Helping Seniors program, where volunteers provide fire prevention training, install new smoke detectors and other fire safety assistance for other seniors in the community.

The National Black Caucus of Local Elected Officials (NBC-LEO) honored diversity in America's cities with the presentation of the eighth Annual City Cultural Diversity Awards in March. Chandler's Human Relations Commission and its new strategy of educating the public through Diversity forums earned second place in the prestigious awards program.

Amerisham, a bio-technology company is consolidating its national operations in Chandler with more than 100 new jobs in the field of genetic testing. The bio-technology field is one we have targeted for Chandler, and look forward to seeing this industry grow in our community.

Isola Laminates has chosen Chandler as its North American headquarters, after having operations here for quite some time on the Price Corridor. This will include 100 new jobs and expanded facilities.

The first two office buildings are under way as part of Wells Fargo's 63-acre operations center at Price and Queen Creek roads. This complex will have as many as 4,000 employees over time.

AmeriCredit built a new facility at Germann and Price roads. This auto loan processor will bring as many as 1,000 new jobs when it is fully operational and adds diversification to the City's job base.

With a million-dollar renovation, the Chandler Corporate Center (formerly Rocky Mountain) attracted quality firms like Radcliff Consultants, the Awareness Corporation and Chamness Relocations and 160 new jobs.

The Santan Freeway is well under way and on schedule. The first phase from I-10 to McClintock is scheduled for completion by the end of this year and will stretch to Arizona Avenue by the end of 2004. The freeway will be paved with rubberized asphalt.

N.J. Harris Park, formerly Elgin Park, was rededicated; the park is named for Nathan Johnson Harris, one of Chandler's first African-American entrepreneurs.

Chandler's Reverse Osmosis Facility recently recovered and recharged its two billionth gallon of Intel industrial process water. This is enough water to supply the needs of 6,135 households consisting of five people for a year.

Intel announced a \$2 billion refurbishment of Fab 12, solidifying Intel's presence in the community.

GOALS FOR FUTURE ENDEAVORS

The Mayor and Council have responded to the challenges of this growth through strategic planning and long-standing commitments to quality of life issues, public safety for citizens and support of economic development. Council goals and objectives were used as the basis for the fiscal year 2003-04 budget. Highlights of these short and long-term goals are summarized below; objectives, action steps and completion dates are included in the Budget Policies and Major Issues chapter of this document.

- **TRANSPORTATION** - Continue the evaluation of corridors relative to capacity improvements while maintaining quality aesthetic appearance and improve public transit.
- **AGING INFRASTRUCTURE** - Continue to evaluate and begin improvements on aging infrastructure (e.g. streets, water, and wastewater systems).
- **ECONOMIC DEVELOPMENT** - Continue to attract quality businesses that compliment our community as well as evaluating ideas for addressing commercial vacancies and the redevelopment of older strip centers.
- **NEIGHBORHOOD REVITALIZATION** - Continue revitalization preserving older neighborhoods through various neighborhood program initiatives and support of neighborhood improvements projects through grants.
- **DOWNTOWN REDEVELOPMENT** – Continue redevelopment of downtown area and develop marketing plan for Historic Downtown Chandler in conjunction with merchants.
- **AGING COMMERCIAL CENTERS** - Continue retention and expansion visits to identify distressed strip shopping centers and devise programs for improvements and assistance.

CONCLUSION

We thank the Mayor and Council for their guidance and commitment to the community and their wisdom in practicing sound policies, which have kept Chandler in an enviable position during challenging times.

Many employees in the organization contributed to the preparation of this budget. Their commitment to providing accurate and understandable financial information is greatly appreciated. Special thanks go to the Management Services Department, and in particular, the Budget Staff and all the employees who assisted in preparing a comprehensive budget document and Capital Improvement Program. Thank you for your hard work and dedication.

Respectfully submitted,



Patrick McDermott
Acting City Manager

2003-04 ADOPTED BUDGET SUMMARIES

The Chandler City Council adopted the 2003-04 Budget of \$607,370,625 on June 12, 2003. The following pages contain additional summary information including comparisons to previous fiscal years.

RESOURCES

| | 2002-03 Adopted Budget | 2003-04 Adopted Budget | Percentage Change |
|------------------------|---------------------------------------|---------------------------------------|------------------------------|
| Revenues | 247,398,334 | \$ 259,333,360 | 4.8% |
| Fund Balances | 287,944,521 | 287,700,429 | (0.1%) |
| Grants | 34,556,628 | 35,247,712 | 2.0% |
| Sale of Bonds | 49,151,000 | 25,089,124 | (49.0%) |
| Total Resources | \$ 619,050,483 | \$ 607,370,625 | (1.9%) |

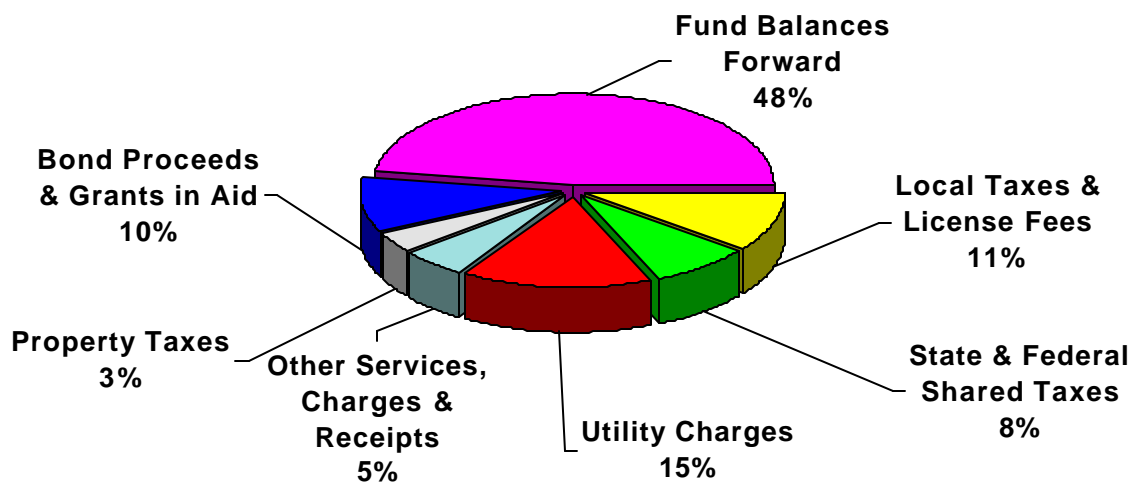
APPROPRIATIONS

| | 2002-03 Adopted Budget | 2003-04 Adopted Budget | Percentage Change |
|---------------------------------|---------------------------------------|---------------------------------------|------------------------------|
| General Government | \$ 166,564,877 | \$ 133,718,412 | (19.7%) |
| Public Safety | 77,867,310 | 77,414,107 | (0.6%) |
| Public Works | 84,667,276 | 99,425,933 | 17.4% |
| Municipal Utilities | 151,550,117 | 164,313,511 | 8.4% |
| Fund Contingencies and Reserves | 91,630,539 | 92,366,976 | 0.8% |
| Debt Service | 42,112,829 | 35,546,789 | (15.6%) |
| Capital Replacement | 4,657,535 | 4,584,897 | (1.6%) |
| Total | \$ 619,050,483 | \$ 607,370,625 | (1.9%) |

WHERE THE MONEY COMES FROM

Resources available for appropriation by the City Council are aggregated into the seven broad categories of Local Taxes & License Fees, State & Federal Shared Taxes, Utility Charges, Other Services, Charges & Receipts, Property Taxes, Bond Proceeds & Grants in Aid, and Fund Balance. As required by Arizona State Statute, the property tax levy with an estimated \$20,764,445 was adopted on June 26, 2003. The tax levy includes a Primary Tax Rate of \$0.38 and a Secondary Tax Rate of \$0.90, for a total tax rate of \$1.28 per \$100 of assessed valuation.

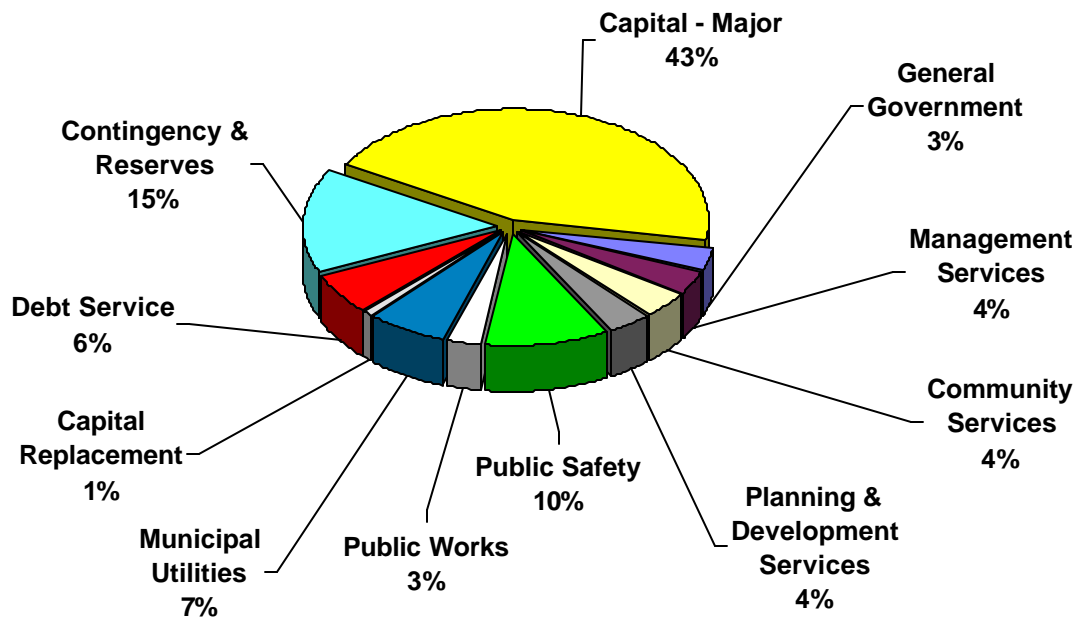
2003- 04 Adopted Budget
Total Budget = \$607,370,625



| | 2002 - 03 Adopted Budget | 2003 - 04 Adopted Budget | Percentage of Change |
|------------------------------------|-----------------------------|-----------------------------|-------------------------|
| Local Taxes & License Fees | \$ 58,616,020 | \$ 63,346,981 | 8.1% |
| State & Federal Shared Taxes | 50,980,131 | 49,238,443 | (3.4%) |
| Utility Charges | 87,065,507 | 93,092,101 | 6.9% |
| Other Services, Charges & Receipts | 33,610,340 | 32,891,390 | (2.1%) |
| Property Taxes | 17,126,336 | 20,764,445 | 21.2% |
| Bond Proceeds & Grants in Aid | 83,707,628 | 60,336,836 | (27.9%) |
| Fund Balances Forward | 287,944,521 | 287,700,429 | (0.1%) |
| Total | \$ 619,050,483 | \$ 607,370,625 | (1.9%) |

WHERE THE MONEY GOES

2003- 04 Adopted Budget
Total Budget = \$607,370,625



| | 2002 - 03 Adopted Budget | 2003 - 04 Adopted Budget | Percentage of Change |
|---------------------------------|-----------------------------|-----------------------------|-------------------------|
| By Department: | | | |
| General Government | \$ 7,757,144 | \$ 19,793,561 | 155.2% |
| Management Services | 37,188,878 | 21,311,964 | (42.7%) |
| Community Services | 21,425,732 | 22,213,080 | 3.7% |
| Planning & Development Services | 23,433,632 | 23,429,150 | (0.0%) |
| Public Safety | 57,349,120 | 61,106,368 | 6.6% |
| Public Works | 28,236,562 | 17,728,770 | (37.2%) |
| Municipal Utilities | 16,837,337 | 39,989,692 | 137.5% |
| Capital Replacement | 4,657,535 | 4,584,897 | (1.6%) |
| Debt Service | 42,112,829 | 35,546,789 | (15.6%) |
| Contingency & Reserves | 91,630,539 | 92,366,976 | 0.8% |
| Capital - Major | 288,421,175 | 269,299,378 | (6.6%) |
| Total | \$ 619,050,483 | \$ 607,370,625 | (1.9%) |
| By Category: | | | |
| Personnel & Benefits | \$ 93,250,594 | \$ 108,749,371 | 16.6% |
| Operating & Maintenance | 145,748,175 | 136,954,900 | (6.0%) |
| Contingency & Reserves | 91,630,539 | 92,366,976 | 0.8% |
| Capital - Major | 288,421,175 | 269,299,378 | (6.6%) |
| Total | \$ 619,050,483 | \$ 607,370,625 | (1.9%) |

Budget Message and Overview

The following tables provide detail and summary information on the change between year-end estimated expenditures for fiscal year 2002-03 and the 2003-04 adopted budget. For operating budget cost centers, explanations of significant highlights for the 2003-04 adopted budget are provided in detail at the cost center level in the Departmental Budget chapter of this document. Information on major capital projects is provided at the cost center level in the Capital Budget chapter.

COST CENTER BUDGET COMPARISON

| | 2000-01 Actual Expenditures | 2001-02 Actual Expenditures | 2002-03 Adopted Budget | 2002-03 Estimated Expenditures | 2003-04 Adopted Budget | % Change Est. Exp. To Adopted Budget |
|--------------------------------------|-----------------------------------|-----------------------------------|------------------------------|--------------------------------------|------------------------------|---|
| GENERAL GOVERNMENT | | | | | | |
| Mayor and Council | \$ 421,956 | \$ 469,901 | \$ 546,448 | \$ 514,478 | \$ 596,183 | 15.9% |
| City Clerk | 390,631 | 456,858 | 474,361 | 476,042 | 690,390 | 45.0% |
| City Manager Administration | 946,498 | 1,065,639 | 1,129,121 | 1,153,536 | 1,193,480 | 3.5% |
| IT Administration | 0 | 0 | 0 | 0 | 1,289,910 | N/A |
| GIS/IT Applications & Data Systems | 658,941 | 1,028,701 | 827,757 | 993,942 | 1,952,472 | 96.4% |
| Human Resources | 1,384,465 | 1,431,750 | 1,655,245 | 1,636,120 | 1,921,641 | 17.5% |
| IT Infrastructure & Client Support | 2,318,937 | 2,987,979 | 4,268,989 | 4,095,400 | 2,396,788 | (41.5%) |
| GIS/IT Capital | 0 | 0 | 6,258,133 | 1,478,289 | 6,289,245 | 325.4% |
| Economic Development | 605,416 | 742,206 | 950,423 | 739,578 | 1,255,334 | 69.7% |
| Downtown Redevelopment | 90,524 | 116,221 | 452,263 | 335,818 | 467,983 | 39.4% |
| Economic Development Capital | 826,003 | 3,236,311 | 4,245,249 | 2,971,320 | 1,814,751 | (38.9%) |
| | 6,830,784 | 9,543,168 | 18,658,059 | 12,250,467 | 17,388,124 | 41.9% |
| City Magistrate | 2,237,847 | 2,448,941 | 2,835,912 | 2,733,953 | 3,278,291 | 19.9% |
| Law | 1,558,414 | 1,832,271 | 2,237,243 | 2,197,183 | 2,455,051 | 11.7% |
| Communications/Public Affairs | 827,312 | 1,071,635 | 832,232 | 918,136 | 934,600 | 1.8% |
| Video Production | 0 | 689 | 353,611 | 431,492 | 384,230 | (11.0%) |
| Administrative Services | 213,616 | 254,096 | 279,721 | 294,155 | 977,208 | 232.2% |
| | 1,040,928 | 1,326,420 | 1,465,564 | 1,643,783 | 2,296,038 | 39.7% |
| Management Services | | | | | | |
| Administration and Budget | 632,385 | 783,408 | 1,040,700 | 880,806 | 730,107 | (17.1%) |
| Management Services Capital | 1,229,166 | 2,456,080 | 5,321,499 | 417,383 | 4,187,673 | 903.3% |
| Budget | 0 | 0 | 0 | 0 | 493,029 | N/A |
| Purchasing and Warehouse | 687,140 | 793,406 | 851,800 | 812,686 | 898,363 | 10.5% |
| Accounting | 788,827 | 964,472 | 1,004,120 | 1,038,692 | 1,072,747 | 3.3% |
| Licensing/Tax/Utility Services | 1,612,018 | 1,861,195 | 2,048,771 | 1,978,546 | 2,151,253 | 8.7% |
| Risk Management | 316,598 | 301,374 | 579,092 | 577,638 | 1,755,700 | 203.9% |
| Risk Management Liabilities | 0 | 0 | 0 | 0 | 4,558,850 | N/A |
| Environmental Management | 0 | 210,397 | 270,857 | 274,682 | 285,854 | 4.1% |
| Environmental Management Liabilities | 0 | 0 | 0 | 0 | 473,200 | N/A |
| Fleet Services | 630,625 | 789,581 | 877,047 | 842,639 | 996,454 | 18.3% |
| Non-Departmental | 15,491,131 | 16,390,770 | 30,516,491 | 22,907,066 | 8,208,171 | (64.2%) |
| | 21,387,890 | 24,550,683 | 42,510,377 | 29,730,138 | 25,811,401 | (13.2%) |
| Planning and Development | | | | | | |
| Administration | 706,439 | 968,969 | 1,497,934 | 1,283,718 | 1,312,492 | 2.2% |
| Current Planning | 1,036,324 | 955,624 | 1,078,659 | 1,075,148 | 1,157,092 | 7.6% |
| Long Range Planning | 100,334 | 289,745 | 538,464 | 635,289 | 556,191 | (12.5%) |
| Development Services | 4,378,998 | 4,443,499 | 5,136,366 | 4,945,623 | 5,419,618 | 9.6% |
| Planning/Development Capital | 0 | 67,571 | 75,171 | 75,171 | 0 | (100.0%) |
| Housing and Redevelopment | 7,537,709 | 5,621,828 | 12,621,501 | 7,183,688 | 11,734,492 | 63.3% |
| Community Development | 0 | 1,309,664 | 2,560,708 | 2,348,188 | 2,857,000 | 21.7% |
| Neighborhood Programs | 81,486 | 192,151 | 333,729 | 186,235 | 392,265 | 110.6% |
| | 13,759,804 | 13,849,051 | 23,842,532 | 17,733,060 | 23,429,150 | 32.1% |
| Community Services | | | | | | |
| Administration | 467,670 | 392,640 | 1,159,336 | 482,690 | 935,647 | 93.8% |
| Center for the Arts | 881,236 | 1,100,383 | 1,093,046 | 1,280,956 | 1,229,280 | (4.0%) |
| Parking Garage | 61,226 | 92,011 | 0 | 0 | 0 | N/A |
| Buildings and Facilities | 3,209,727 | 3,478,085 | 3,995,657 | 4,078,932 | 4,156,150 | 1.9% |
| Library | 3,837,363 | 4,681,607 | 5,246,711 | 5,378,400 | 6,119,344 | 13.8% |
| Library Capital | 839,332 | 76,978 | 1,884,631 | 1,945,419 | 1,097,610 | (43.6%) |
| Parks Development/Operations | 4,283,173 | 4,891,678 | 6,275,109 | 6,041,250 | 6,025,191 | (0.3%) |
| Parks Capital | 6,972,759 | 16,779,157 | 49,554,897 | 18,255,593 | 33,269,614 | 82.2% |
| Recreation | 2,742,610 | 2,811,026 | 3,655,873 | 3,726,943 | 3,747,468 | 0.6% |
| | 23,295,096 | 34,303,565 | 72,865,260 | 41,190,183 | 56,580,304 | 37.4% |
| TOTAL GENERAL GOVERNMENT | 70,923,350 | 89,846,497 | 166,564,877 | 109,622,823 | 133,718,412 | 22.0% |

Budget Message and Overview

COST CENTER BUDGET COMPARISON
(continued)

| | 2000-01 Actual Expenditures | 2001-02 Actual Expenditures | 2002-03 Adopted Budget | 2002-03 Estimated Expenditures | 2003-04 Adopted Budget | % Change Est. Exp. To Adopted Budget |
|-------------------------------------|-----------------------------------|-----------------------------------|------------------------------|--------------------------------------|------------------------------|---|
| PUBLIC SAFETY | | | | | | |
| Police | | | | | | |
| Administration | \$ 2,241,634 | \$ 2,346,270 | \$ 3,732,230 | \$ 2,580,348 | \$ 3,281,317 | 27.2% |
| Professional Standards | 0 | 1,093,268 | 1,124,745 | 1,135,124 | 799,987 | (29.5%) |
| Property and Evidence | 206,375 | 222,250 | 228,954 | 241,805 | 255,327 | 5.6% |
| Forensic Sciences | 0 | 900,355 | 843,094 | 961,984 | 1,140,041 | 18.5% |
| Field Operations | 14,447,872 | 16,233,909 | 17,208,763 | 17,338,307 | 19,185,297 | 10.7% |
| Criminal Investigations | 4,359,036 | 4,592,731 | 4,647,636 | 4,825,263 | 5,909,169 | 22.5% |
| Planning and Reseach | 565,049 | 803,317 | 804,319 | 776,972 | 841,466 | 8.3% |
| Communications | 2,458,508 | 3,003,460 | 3,010,737 | 3,121,537 | 3,402,175 | 9.0% |
| Records | 2,837,407 | 1,195,829 | 1,207,578 | 1,173,412 | 1,222,071 | 4.1% |
| Detention Services | 0 | 1,409,206 | 1,331,428 | 1,546,126 | 1,490,016 | (3.6%) |
| Community Services | 2,462,562 | 2,570,040 | 2,789,614 | 2,807,366 | 3,034,611 | 8.1% |
| Neighborhood Services | 1,698,813 | 2,037,722 | 2,092,348 | 2,160,592 | 1,181,589 | (45.3%) |
| Police - Capital | 610,961 | 2,116,085 | 14,033,796 | 3,287,202 | 7,914,203 | 140.8% |
| | 31,888,217 | 38,524,442 | 53,055,242 | 41,956,038 | 49,657,269 | 18.4% |
| Fire | | | | | | |
| Administration | 2,231,789 | 2,812,632 | 4,727,634 | 2,815,557 | 4,714,572 | 67.4% |
| Emergency Medical Services | 0 | 1,244 | 827,217 | 512,927 | 633,053 | 23.4% |
| Operations | 9,251,720 | 10,592,120 | 11,149,416 | 11,396,916 | 11,985,523 | 5.2% |
| Prevention | 327,172 | 372,141 | 405,833 | 412,981 | 462,754 | 12.1% |
| Capital | 801,357 | 2,961,007 | 6,484,394 | 3,385,284 | 8,393,536 | 147.9% |
| Support Services | 0 | 1,322 | 821,669 | 849,349 | 1,145,424 | 34.9% |
| Training | 0 | 1,196 | 395,904 | 401,687 | 421,976 | 5.1% |
| | 12,612,038 | 16,741,662 | 24,812,067 | 19,774,701 | 27,756,838 | 40.4% |
| TOTAL PUBLIC SAFETY | 44,500,255 | 55,266,104 | 77,867,309 | 61,730,739 | 77,414,107 | 25.4% |
| MUNICIPAL UTILITIES | | | | | | |
| Municipal Utilities Administration | 353,478 | 406,802 | 465,230 | 520,080 | 464,377 | (10.7%) |
| Solid Waste Services | 2,172,117 | 1,744,119 | 2,467,007 | 2,525,129 | 8,330,404 | 229.9% |
| Solid Waste Capital | 683,093 | 1,022,985 | 3,712,568 | 3,575,355 | 9,521,263 | 166.3% |
| Water Distribution | 11,326,009 | 2,671,062 | 3,705,526 | 4,265,703 | 4,952,502 | 16.1% |
| Water Capital | 11,950,041 | 9,815,724 | 58,896,931 | 35,812,686 | 73,116,146 | 104.2% |
| Water Production | 8,681,490 | 8,955,997 | 10,718,891 | 11,051,864 | 11,229,962 | 1.6% |
| Environmental Resources | 856,338 | 1,116,001 | 1,579,602 | 1,691,512 | 1,751,504 | 3.5% |
| Water Quality | 881,996 | 903,560 | 1,138,276 | 1,043,208 | 1,267,440 | 21.5% |
| Wastewater Collection | 8,244,946 | 1,521,583 | 1,839,745 | 1,880,404 | 1,903,089 | 1.2% |
| Wastewater Capital | 13,374,670 | 24,812,658 | 60,704,056 | 39,873,212 | 41,686,410 | 4.5% |
| Wastewater Reverse Osmosis | 1,147,995 | 1,325,051 | 1,760,907 | 1,662,897 | 1,785,336 | 7.4% |
| Wastewater Treatment | 714,459 | 702,542 | 1,286,165 | 1,390,629 | 1,329,820 | (4.4%) |
| Wastewater Quality | 377,568 | 417,912 | 538,391 | 598,824 | 613,852 | 2.5% |
| Airport Water Reclamation Facility | 0 | 1,754,877 | 2,736,822 | 2,183,173 | 3,631,468 | 66.3% |
| Ocotillo Water Reclamation | 1,421,262 | 0 | 0 | 0 | 2,729,938 | N/A |
| TOTAL MUNICIPAL UTILITIES | 62,185,462 | 57,170,873 | 151,550,117 | 108,074,676 | 164,313,511 | 52.0% |
| PUBLIC WORKS | | | | | | |
| Administration | 635,668 | 577,642 | 590,106 | 361,037 | 755,480 | 109.3% |
| Engineering | 2,470,090 | 2,765,556 | 3,985,057 | 3,107,034 | 4,299,723 | 38.4% |
| Transportation/Operations Admin. | 356,854 | 411,259 | 523,643 | 421,667 | 561,840 | 33.2% |
| Streets | 2,619,547 | 3,216,336 | 4,614,356 | 3,953,058 | 4,608,147 | 16.6% |
| Streets Capital | 11,998,715 | 15,098,614 | 61,796,114 | 33,484,179 | 76,986,489 | 129.9% |
| Traffic Engineering | 3,286,724 | 3,574,941 | 3,798,278 | 3,602,343 | 3,958,245 | 9.9% |
| Transit Services | 778,329 | 912,506 | 1,497,102 | 1,446,357 | 1,516,160 | 4.8% |
| Street Sweeping | 539,905 | 975,639 | 1,059,607 | 715,610 | 1,078,219 | 50.7% |
| Airport | 1,309,128 | 834,258 | 769,188 | 692,927 | 950,956 | 37.2% |
| Airport Capital | 172,444 | 2,588,794 | 6,033,825 | 71,221 | 4,710,674 | 6514.2% |
| TOTAL PUBLIC WORKS | 24,167,404 | 30,955,545 | 84,667,276 | 47,855,433 | 99,425,933 | 107.8% |
| Sub-Total | 201,776,471 | 233,239,019 | 480,649,579 | 327,283,671 | 474,871,963 | 45.1% |
| Fund Contingency | 0 | 0 | 91,630,539 | 0 | 92,366,976 | N/A |
| Debt Service | 24,142,802 | 27,318,119 | 42,112,829 | 32,469,310 | 35,546,789 | 29.7% |
| Capital/Computer Replacement | 5,290,530 | 2,658,335 | 4,657,536 | 5,289,117 | 4,584,897 | (11.9%) |
| GRAND TOTAL | \$ 231,209,803 | \$ 263,215,473 | \$ 619,050,483 | \$ 365,042,098 | \$ 607,370,625 | 66.4% |



Budget Message and Overview

DEPARTMENTAL BUDGET COMPARISON IN SUMMARY

| | 2000-01 Actual Expenditures | 2001-02 Actual Expenditures | 2002-03 Adopted Budget | 2002-03 Estimated Expenditures | 2003-04 Adopted Budget | % Change Est. Exp. To Adopted Budget |
|-------------------------------|-----------------------------------|-----------------------------------|------------------------------|--------------------------------------|------------------------------|---|
| Mayor and Council | \$ 421,956 | \$ 469,901 | \$ 546,448 | \$ 514,478 | \$ 596,183 | 15.9% |
| City Clerk | 390,631 | 456,858 | 474,361 | 476,042 | 690,390 | 45.0% |
| City Manager | 946,498 | 1,065,639 | 1,129,121 | 1,153,536 | 1,193,480 | 3.5% |
| Organizational Support | 5,884,286 | 9,543,168 | 18,658,059 | 12,250,467 | 17,388,124 | 41.9% |
| City Magistrate | 2,237,847 | 2,448,941 | 2,835,912 | 2,733,953 | 3,278,291 | 19.9% |
| Law | 1,558,414 | 1,832,271 | 2,237,243 | 2,197,183 | 2,455,051 | 11.7% |
| Communications/Public Affairs | 1,040,928 | 1,326,420 | 1,465,564 | 1,643,783 | 2,296,038 | 39.7% |
| Management Services | 21,387,890 | 24,550,683 | 42,510,377 | 29,730,138 | 25,811,401 | (13.2%) |
| Planning and Development | 13,759,804 | 13,849,051 | 23,842,532 | 17,733,060 | 23,429,150 | 32.1% |
| Community Services | 23,295,096 | 34,303,565 | 72,865,260 | 41,190,183 | 56,580,304 | 37.4% |
| Police | 31,888,217 | 38,524,442 | 53,055,242 | 41,956,038 | 49,657,269 | 18.4% |
| Fire | 12,612,038 | 16,741,662 | 24,812,067 | 19,774,701 | 27,756,838 | 40.4% |
| Municipal Utilities | 62,185,462 | 57,170,873 | 151,550,117 | 108,074,676 | 164,313,511 | 52.0% |
| Public Works | 24,167,404 | 30,955,545 | 84,667,276 | 47,855,433 | 99,425,933 | 107.8% |
| Subtotal | <u>201,776,471</u> | <u>233,239,019</u> | <u>480,649,579</u> | <u>327,283,671</u> | <u>474,871,963</u> | 45.1% |
| Fund Contingency | 0 | 0 | 91,630,539 | 0 | 92,366,976 | N/A |
| Debt Service | 24,142,802 | 27,318,119 | 42,112,829 | 32,469,310 | 35,546,789 | 9.5% |
| Capital/Computer Replacement | 5,290,530 | 2,658,335 | 4,657,536 | 5,289,117 | 4,584,897 | (13.3%) |
| GRAND TOTAL | <u>\$ 231,209,803</u> | <u>\$ 263,215,473</u> | <u>\$ 619,050,483</u> | <u>\$ 365,042,098</u> | <u>\$ 607,370,625</u> | 66.4% |

FUND STRUCTURE

The City Council formally adopts an annual budget for the General, Special Revenue, Capital Projects, Enterprise and Internal Service Funds. Debt Service payments are budgeted in General, Special Revenue, and Enterprise funds as appropriate.

The accounts for the City of Chandler are organized on the basis of funds or account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. In governmental accounting, fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The revenue and expenditures within the fund can be monitored for the particular activity. Funds are classified as being governmental, proprietary, or fiduciary; different fund types are also found within each classification.

GOVERNMENTAL FUNDS - Governmental funds are used to account for the City's general governmental activities; these funds use the flow of current financial resources measurement and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they are measurable and available; and expenditures are recorded when the related fund liability is incurred.

GENERAL FUND – The General Fund is the primary operating fund of the City. All revenues that are not allocated by law or contractual agreement to a specific fund are accounted for in the General Fund and are used to finance the services associated with local government. These revenues include taxes, licenses and permits, charges for services, interest earned on investments, fines and forfeitures, and miscellaneous revenue. Most city departments receive at least some support from the General Fund.

SPECIAL REVENUE FUNDS – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes. Funds in this category include Highway User Revenue, Local Transportation Assistance, Community Development Block Grant, Housing Grants and Expendable Trust.

HIGHWAY USER REVENUE FUND - Used to account for the receipt and expenditure of the City's allocation of State highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related debt.

LOCAL TRANSPORTATION ASSISTANCE (LTAF) FUND – Used to account for the receipt and expenditure of the City's allocation of State lottery monies. State law restricts the use of these monies to street and highway projects in the public right-of-way and to mass transportation purposes.

GRANTS IN AID – Used to account for the receipt and expenditure of miscellaneous federal and state grants awarded to the City for various, specific purposes.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) – Used for all federal Community Development Block Grant revenue and related expenditures, such as housing rehabilitation and downtown renovation.

HOUSING GRANTS – Used to account for expenditures of the City's housing assistance programs which consist of housing owned and operated by the city and rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from tenants and the United States Department of Housing and Urban Development.

EXPENDABLE TRUST FUNDS - These funds are accounted for and reported in the same manner as governmental funds for purposes designated by the donors or legal restrictions. Both the principal and earnings of these funds can be expended for the trusts' intended purposes.

CAPITAL PROJECT FUNDS – Capital project funds are designed to account for resources expended to acquire assets of a relatively permanent nature. These funds include bond proceeds, system development or impact fees, grants and contributions for the need for capital assets such as buildings, public works, and equipment. (Special Revenue and Enterprise Funds are not included in this category).

SPECIAL ASSESSMENTS – Special levies placed against special assessment districts in the City to be used for capital projects that benefit those properties.

PROPRIETARY FUNDS - Proprietary funds are used to account for the City's on-going organizations and activities which are similar to those often found in the private sector.

ENTERPRISE FUNDS – Enterprise funds are a governmental accounting fund in which the services provided are financed and operated similarly to those of a private business, where the costs of providing goods or services to the general public is financed through user fees. The City of Chandler has established enterprise funds for water and wastewater service, solid waste service, and the operation of the airport because they are considered to be self-sufficient and are required to stand on their own.

WATER FUNDS – Used to account for the provision of water services to the residents of the City and certain residents outside of City limits. All activities necessary to provide such service are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection. Revenues are generated through user fees.

WASTEWATER FUND - Used to account for the provision of wastewater services to the residents of the City and certain residents outside of City limits. All activities necessary to provide such service are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection. The monies to support these demands are generated through user fees.

SOLID WASTE FUNDS – Used to account for the provision of solid waste (refuse) services to the residents of the City and certain residents outside of City limits. All activities necessary to provide such service are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection. User fees are assessed to generate revenues adequate to cover these costs.

AIRPORT FUND – Used to account for the provision of airport services to the residents of the City and certain residents outside of City limits. All activities necessary to provide such service are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection. Revenues are generated through airport leasing and fuel sales.

INTERNAL SERVICE FUNDS - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis.

SELF-INSURANCE FUND – This fund is established to account for the cost of property and public liability claims incurred by the City under a self-insurance program.

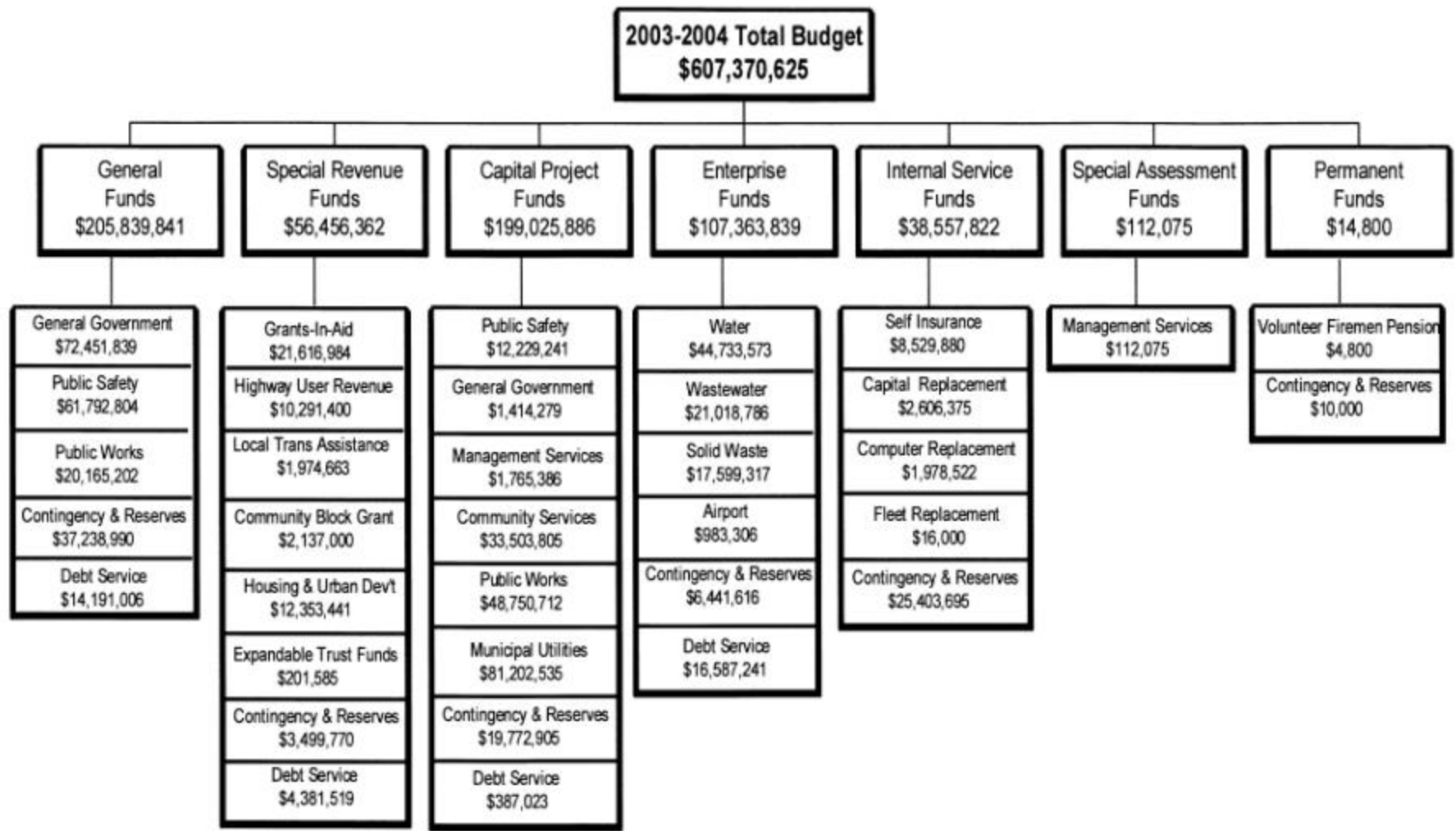
CAPITAL REPLACEMENT FUND – Used to account for operating capital items on a long-term basis through budgeted annual payments and transfers during the fiscal year.

COMPUTER REPLACEMENT FUND – This fund is established to make payments on all leased personal computers.

FIDUCIARY FUNDS – These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Use of these funds facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

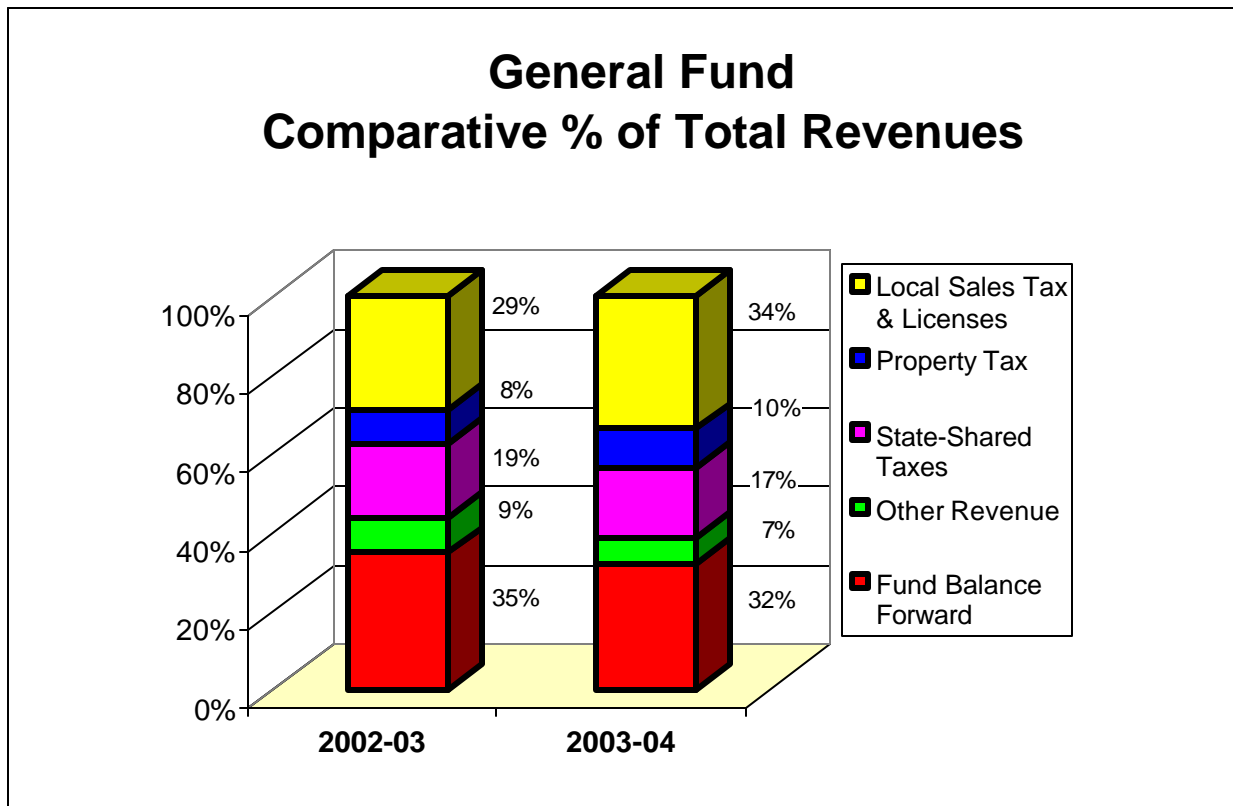
AGENCY FUNDS - These funds are expendable and custodial in nature; they do not involve measurements of results of operations.

PERMANENT FUND (PENSION) - This is a non-expendable trust fund and is used to account for the accumulation of resources to be used for retirement annuity payments at the appropriate amounts and times in the future.



GENERAL FUND REVENUES

The General Fund Revenue categories are presented in the chart and table below. The chart provides information on each category as a percent of total General Fund revenues for fiscal year 2003-04. The table provides information on the percentage increase or decrease from the prior year adopted budget. A detailed discussion of all revenues for the City is contained in the Resources section of this document.



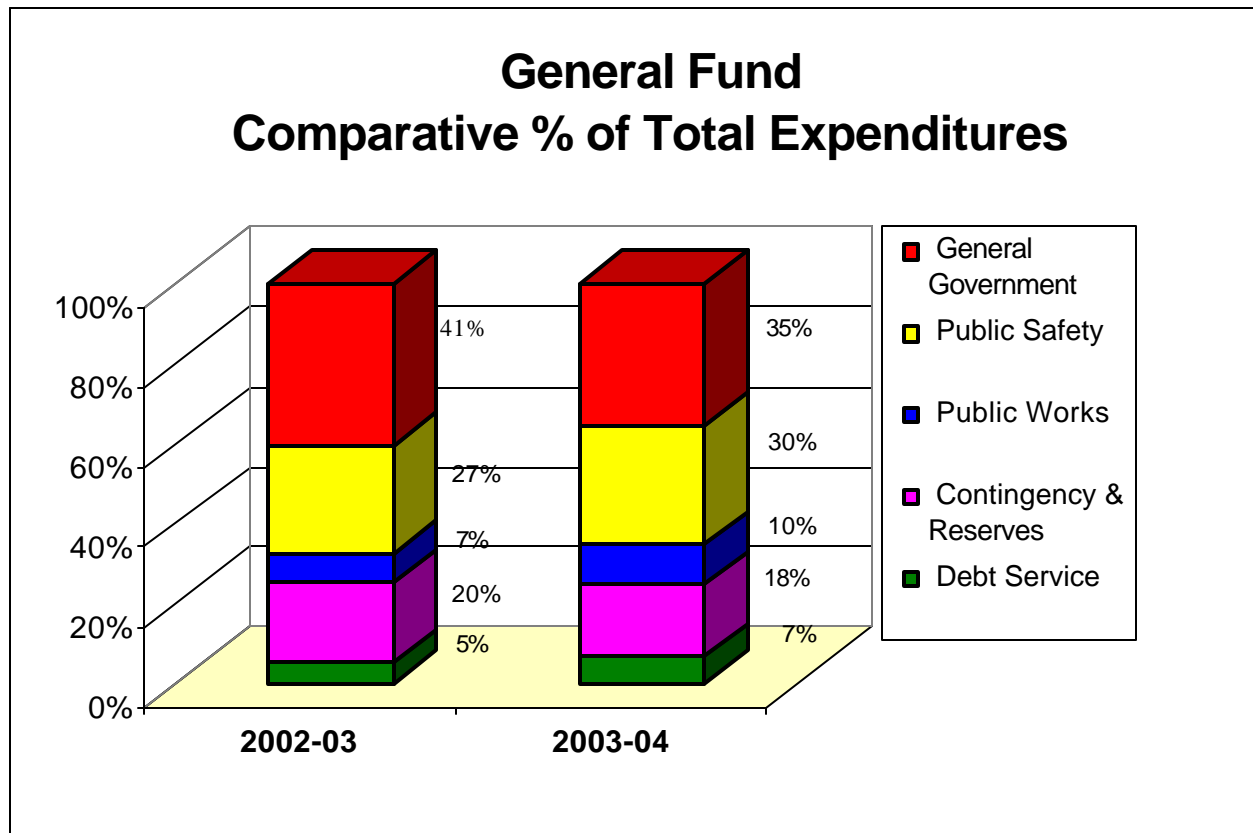
| | 2002-03 | 2003-04 | Change |
|--|-----------------------|-----------------------|-------------|
| Local Sales Tax & Licenses | \$ 58,616,020 | \$ 69,429,881 | 18.4% |
| Property Tax ⁽¹⁾ | 17,126,336 | 20,764,445 | 21.2% |
| State-Shared Taxes | 38,512,320 | 35,977,350 | (6.6%) |
| Other Revenue | 18,010,644 | 14,046,235 | (22.0%) |
| Fund Balance less Transfer In/Out | 70,133,157 | 65,621,930 | (6.4%) |
| Total General Fund ⁽²⁾ | \$ 202,398,477 | \$ 205,839,841 | 1.7% |

⁽¹⁾ Property Tax for fiscal year 2003-04 includes adopted amount of \$20,180,715, Salt River in lieu Tax of \$363,730, and Prior Year Property Tax (Primary and Secondary) of \$220,000.

⁽²⁾ Fiscal year 2002-03 includes General Fund of \$201,378,477 and Police Forfeiture Funds of \$1,000,000 and Parking Garage Funds of \$20,000. Fiscal year 2003-04 includes General Funds of \$204,678,093, Police Forfeiture Funds of \$1,100,000, and Parking Garage Funds of \$61,748.

GENERAL FUND EXPENDITURES

The General Fund Expenditure categories are presented in the chart and table below. The chart provides information on each category as a percent of total General Fund expenditures for fiscal year 2003-04. The table provides information on the percentage increase or decrease from the prior year adopted budget.



GENERAL FUND BUDGET EXPENDITURES

| | 2002-03 | 2003-04 | Change |
|--|-----------------------|-----------------------|-------------|
| General Government | \$ 81,723,321 | \$ 72,451,839 | (11.3%) |
| Public Safety | 55,032,880 | 61,792,804 | 12.3% |
| Public Works | 14,422,246 | 20,165,202 | 39.8% |
| Contingency & Reserves | 40,774,396 | 37,238,990 | (8.7%) |
| Debt Service | 10,445,634 | 14,191,006 | 35.9% |
| Total General Fund ⁽¹⁾ | \$ 202,398,477 | \$ 205,839,841 | 1.7% |

⁽¹⁾ Fiscal year 2002-03 includes General Fund of \$201,378,477 and Police Forfeiture Funds of \$1,000,000 and Parking Garage Funds of \$20,000. Fiscal year 2003-04 includes General Funds of \$204,678,093, Police Forfeiture Funds of \$1,100,000, and Parking Garage Funds of \$61,748.



SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

The beginning fund balance represents the residual funds brought forward from the previous year (ending balance), when actual revenues exceed budgeted revenues and/or when actual expenditures are less than budgeted expenditures. The unreserved fund balance represents the net financial resources that are available for appropriation. The beginning fund balance, therefore, is included in the budget to cover unanticipated fluctuations in revenue or expenses. Since fund balances are non-recurring revenue, they are used for one-time expenditures or budgeted as contingency fund appropriations. Estimated Ending Fund Balances in the summary below are used primarily as contingency, which would remain unspent barring any emergencies. The following table shows a summary of revenues, expenditures and estimated changes in fund balance for related fund types.

| | General Funds | | | SUMMARY (In Thousands) | | | Internal Service | | |
|---|-------------------|--------------------|-------------------|------------------------|--------------------|------------------|------------------|--------------------|------------------|
| | 02-03 Adopted | 02-03 Estimated | 03-04 Adopted | 02-03 Adopted | 02-03 Estimated | 03-04 Adopted | 02-03 Adopted | 02-03 Estimated | 03-04 Adopted |
| Estimated Beginning Fund Balance | \$ 89,771 | \$ 69,929 | \$ 65,371 | \$ 7,001 | \$ 9,258 | \$ 7,686 | \$ 24,198 | \$ 23,870 | \$ 25,362 |
| REVENUES: | | | | | | | | | |
| Property Taxes | 17,126 | 16,535 | 20,764 | - | - | - | - | - | - |
| Local Taxes/Fees | 58,616 | 60,053 | 63,347 | - | - | - | - | - | - |
| State-Shared Taxes | 38,512 | 39,298 | 35,977 | 12,468 | 12,324 | 13,261 | - | - | - |
| Charges for Service | 10,287 | 12,665 | 12,363 | 273 | 73 | 70 | - | - | - |
| Enterprise Sales | - | - | - | - | - | - | - | - | - |
| System Development Fees | - | - | - | - | - | - | - | - | - |
| Bond Revenue | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 7,724 | 7,924 | 7,766 | 1,007 | 1,033 | 892 | 8,486 | 7,708 | 8,334 |
| Intergovernmental | - | - | - | 33,805 | 13,099 | 34,473 | - | - | - |
| Expendable Trust Fund | - | - | - | 84 | 63 | 95 | - | - | - |
| Interfund Transfers In/Out | (19,638) | (1,048) | 251 | (19) | 986 | (20) | 6,403 | 6,424 | 4,862 |
| Total Revenues | \$ 112,627 | \$ 135,428 | \$ 140,469 | \$ 47,618 | \$ 27,577 | \$ 48,771 | \$ 14,889 | \$ 14,131 | \$ 13,196 |
| TOTAL AVAILABLE RESOURCES | \$ 202,398 | \$ 205,357 | \$ 205,840 | \$ 54,619 | \$ 36,835 | \$ 56,456 | \$ 41,217 | \$ 38,001 | \$ 38,558 |
| EXPENDITURES: | | | | | | | | | |
| City Manager | 19,429 | 14,243 | 18,374 | 120 | 49 | 80 | - | - | - |
| City Magistrate | 2,806 | 2,707 | 3,278 | 30 | 27 | - | - | - | - |
| Law | 2,219 | 2,179 | 2,436 | 18 | 18 | 19 | - | - | - |
| Management Services | 8,379 | 5,502 | 8,613 | 59 | - | - | 1,023 | 4,052 | 9,703 |
| Planning & Development | 8,419 | 8,089 | 8,931 | 15,127 | 9,458 | 14,498 | - | - | - |
| Communication & Public Affairs | 1,466 | 1,644 | 2,296 | - | - | - | - | - | - |
| Community Services | 21,633 | 21,434 | 22,021 | 1,248 | 741 | 856 | - | - | - |
| Police | 39,073 | 39,302 | 42,870 | 1,907 | 870 | 1,187 | - | - | - |
| Fire | 15,960 | 16,422 | 18,923 | 2,474 | 25 | 2,200 | - | - | - |
| Public Works | 14,422 | 9,691 | 20,165 | 27,144 | 13,539 | 29,527 | - | - | - |
| Municipal Utilities | - | - | - | 190 | 190 | - | - | - | - |
| Non-departmental | 17,373 | 7,591 | 6,503 | 18 | 37 | 7 | 6,803 | 8,587 | 3,451 |
| Expendable Trust | - | - | - | 190 | 135 | 202 | - | - | - |
| Debt Service | 10,446 | 11,183 | 14,191 | 4,371 | 4,060 | 4,382 | - | - | - |
| Total Expenditures | \$ 161,624 | \$ 139,986 | \$ 168,601 | \$ 52,896 | \$ 29,149 | \$ 52,957 | \$ 9,957 | \$ 12,639 | \$ 13,154 |
| Estimated Ending Fund Balance | \$ 40,774 | \$ 65,371 | \$ 37,239 | \$ 1,722 | \$ 7,686 | \$ 3,500 | \$ 31,260 | \$ 25,362 | \$ 25,404 |
| TOTAL EXPENDITURES + ENDING FUND BALANCE | \$ 202,398 | \$ 205,357 | \$ 205,840 | \$ 54,619 | \$ 36,835 | \$ 56,456 | \$ 41,217 | \$ 38,001 | \$ 38,558 |



Budget Message and Overview

SUMMARY (In Thousands)

| Capital Project | | | Enterprise Funds | | | Permanent/Special Funds | | | Grand Total | | |
|----------------------------------|--------------------|------------------|---------------------------------|--------------------|------------------|-------------------------|--------------------|------------------|----------------------------------|--------------------|------------------|
| 02-03 Adopted | 02-03 Estimated | 03-04 Adopted | 02-03 Adopted | 02-03 Estimated | 03-04 Adopted | 02-03 Adopted | 02-03 Estimated | 03-04 Adopted | 02-03 Adopted | 02-03 Estimated | 03-04 Adopted |
| \$ 104,084 | \$ 184,179 | \$ 113,385 | \$ 60,877 | \$ 86,494 | \$ 75,822 | \$ 2,014 | \$ 78 | \$ 75 | \$ 287,945 | \$ 373,808 | \$ 287,700 |
| - | - | - | - | - | - | - | - | - | 17,126 | 16,535 | 20,764 |
| - | - | - | - | - | - | - | - | - | 58,616 | 60,053 | 63,347 |
| - | - | - | - | - | - | - | - | - | 50,980 | 51,622 | 49,238 |
| - | - | - | - | - | - | - | - | - | 10,560 | 12,738 | 12,433 |
| - | - | - | 63,668 | 62,875 | 64,698 | - | - | - | 63,668 | 62,875 | 64,698 |
| 23,064 | 27,200 | 28,530 | - | - | - | - | - | - | 23,064 | 27,200 | 28,530 |
| 49,151 | - | 25,084 | - | - | - | - | - | - | 49,151 | - | 25,084 |
| 3,827 | 3,335 | 2,377 | 2,877 | 1,928 | 1,586 | 132 | 97 | 52 | 24,053 | 22,025 | 21,008 |
| - | - | - | - | - | - | - | - | - | 33,805 | 13,099 | 34,473 |
| - | - | - | - | - | - | - | - | - | 84 | 63 | 95 |
| 61,156 | 13,507 | 29,650 | (47,904) | (7,144) | (34,743) | - | - | - | (3) | 12,725 | - |
| \$ 137,198 | \$ 44,042 | \$ 85,641 | \$ 18,641 | \$ 57,659 | \$ 31,541 | \$ 132 | \$ 97 | \$ 52 | \$ 331,105 | \$ 278,934 | \$ 319,670 |
| \$ 241,282 \$ 228,221 \$ 199,026 | | | \$ 79,518 \$ 144,153 \$ 107,364 | | | \$ 2,146 \$ 175 \$ 127 | | | \$ 619,050 \$ 652,742 \$ 607,371 | | |
| 1,443 | 147 | 1,414 | - | - | - | - | - | - | 20,992 | 14,439 | 19,868 |
| - | - | - | - | - | - | - | - | - | 2,836 | 2,734 | 3,278 |
| - | - | - | - | - | - | - | - | - | 2,237 | 2,197 | 2,455 |
| - | 355 | 1,765 | - | - | - | 100 | 95 | 111 | 9,560 | 10,004 | 20,194 |
| - | - | - | - | - | - | - | - | - | 23,546 | 17,547 | 23,429 |
| - | - | - | - | - | - | - | - | - | 1,466 | 1,644 | 2,296 |
| 49,995 | 18,882 | 33,504 | - | - | - | - | - | - | 72,877 | 41,056 | 56,380 |
| 12,075 | 1,785 | 5,600 | - | - | - | - | - | - | 53,055 | 41,956 | 49,657 |
| 6,373 | 3,323 | 6,629 | - | - | - | 5 | 5 | 5 | 24,812 | 19,775 | 27,757 |
| 42,432 | 24,117 | 48,751 | 796 | 509 | 983 | - | - | - | 84,795 | 47,855 | 99,426 |
| 107,138 | 65,794 | 81,203 | 44,222 | 42,091 | 83,111 | - | - | - | 151,550 | 108,075 | 164,314 |
| 2,607 | 50 | - | 8,559 | 8,890 | 241 | 2,031 | 1 | 1 | 37,392 | 25,156 | 10,201 |
| - | - | - | - | - | - | - | - | - | 190 | 135 | 202 |
| 10,297 | 385 | 387 | 17,000 | 16,842 | 16,587 | - | - | - | 42,113 | 32,469 | 35,547 |
| \$ 232,360 | \$ 114,836 | \$ 179,253 | \$ 70,577 | \$ 68,331 | \$ 100,922 | \$ 2,136 | \$ 100 | \$ 117 | 529,551 | 365,042 | 515,004 |
| \$ 8,922 \$ 113,385 \$ 19,773 | | | \$ 8,941 \$ 75,822 \$ 6,442 | | | \$ 10 \$ 75 \$ 10 | | | \$ 89,499 \$ 287,700 \$ 92,367 | | |
| \$ 241,282 \$ 228,221 \$ 199,026 | | | \$ 79,518 \$ 144,153 \$ 107,364 | | | \$ 2,146 \$ 175 \$ 127 | | | \$ 619,050 \$ 652,742 \$ 607,371 | | |

FUND BALANCE ANALYSIS

The Fund Balance represents the net difference between total financial resources and total appropriated uses. In the budget process unreserved fund balances represent the net financial resources that are expendable or available for appropriation. According to the City Charter and the Expenditure Limitation under the Home Rule Option, total expenditures cannot exceed the amount of the adopted budget. Therefore, fund balances are used for one-time (non-operational) expenditures since they are non-recurring revenue or they are appropriated as "contingency". Use of contingency should only be used for unanticipated events threatening the public health, safety or welfare of its citizens and only after all other budget sources have been examined for available funds. The Fund Balance protects our fiscal health by assuring sufficient funds are available to meet financial challenges in the future.

General Fund Balance - Most governmental activities are financed from the General Fund. Expenditures for public purposes may be made from cash held in the General Fund with freedom from the restrictions imposed on other funds. The summary on the previous pages show that in FY2003-04 about \$28-million is needed to supplement the revenue collection to fund the estimated expenditures, including \$15.5 million for one-time "pay-as-you-go" capital projects. The ending fund balance of \$37-million includes over \$21-million for the 15% contingency reserve adopted by Council, which has contributed to increased bond ratings over the years. The city has a strong unreserved General Fund Balance, assuring funds are available to meet future financial challenges.

Special Revenue Fund Balance – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This category includes Highway User Revenue Fund (HURF), Local Transportation Assistance Fund (LTAF), Grants, including CDBG and HUD plus Trust Funds. The FY2003-04 Budget shows that about \$4-million of the Fund Balance is needed to supplement revenues for Special Revenue fund expenditures, which includes \$19.3 million for new one-time capital projects. Expenditures related to the HURF and LTAF are slowly being subsidized by the General Fund. The fund balance for Special Revenues has been affected by legislative adjustments to state formulas resulting in reduced state revenues.

Internal Service Fund Balance – These funds are established to account for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. In Chandler, this category includes Workers Compensation, Self Insurance fund, Uninsured Liability Fund, Short Term Disability Fund, Fleet Services Extended Warranty Fund, Capital Replacement Fund, and Computer Lease Fund. The FY2003-04 Adopted Budget shows that the Fund Balance for Internal Service is estimated to increase slightly, since revenues and transfers in cover expenditures.

Capital Project Fund Balance – These are funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The financial resources of Capital Project funds come from several different sources, including bonds, impact fees, system development fees, or loans from operating funds. The Capital Project Fund Balance for FY 2003-04 shows that almost \$94-million is needed to supplement the revenue collected to fund one-time Capital Project expenditures for uncompleted or new capital projects. The Capital Project fund balance includes bonds, system development and impact fee monies for projects carried forward from prior years.

Enterprise Fund Balance – Enterprise funds are established to account for the operations of enterprises which provide goods or services to the public and which are financed and operated in a manner similar to private business enterprises. Enterprise fund balance includes Water, Wastewater, Solid Waste, and Airport. The Enterprise Adopted Budget for FY2003-04 shows that about \$69-million of the Fund Balance is needed to supplement the revenue collection to offset estimated expenditures, included debt service and one-time capital. Over \$34-million is estimated as a "transfer out" for administrative support to the General Fund and for potential loans to complete Capital Projects in lieu of bonds or until system development fees are collected. Planned capital projects in solid waste, water and wastewater are estimated to decrease the ending fund balance.

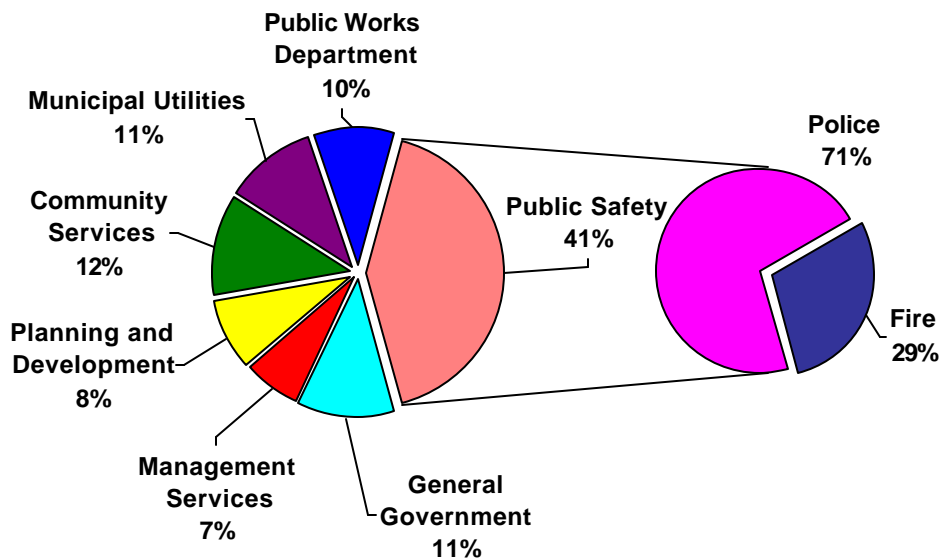
Permanent/Special Assessment Fund Balance – These include the non-expendable trust funds for Firefighter's pension as well as special assessment levies placed against assessment districts for capital projects that benefit properties in those districts. These funds balances help support pensions and administrative expenditures anticipated for FY2003-04.

PERSONNEL SUMMARIES

The chart and table below reflect the percentage of personnel by department and the number of Full Time Equivalent (FTE) staff by department for fiscal year 2003-04.

PERSONNEL SUMMARY – FTE

| Department | 2003-04 FTE |
|--------------------------|-----------------|
| General Government | 170.00 |
| Management Services | 100.00 |
| Planning and Development | 125.00 |
| Community Services | 178.88 |
| Municipal Utilities | 165.00 |
| Public Works Department | 144.63 |
| Police | 447.00 |
| Fire | 181.50 |
| TOTAL FTE | 1,512.00 |



New Positions for Fiscal Year 2003-04 (all funds)

Management Services - Additions

| | | |
|---------------------------------------|------------|---|
| 1240 - Licensing, Tax & Utility Svcs. | 1.0 | Tax Auditor |
| 1240 - Licensing, Tax & Utility Svcs. | 1.0 | Tax & Utilities Representative |
| | 2.0 | - TOTAL MANGEMENT SERVICES POSITIONS |

Community Services - Additions

| | | |
|-------------------------------------|------------|---|
| 4530 - Parks Development/Operations | 1.0 | Public History Coordinator |
| | 1.0 | - TOTAL COMMUNITY SERVICES POSITIONS |

Municipal Utilities - Additions

| | | |
|---|------------|--|
| 3960 - Airport Water Reclamation Facility | 1.0 | Wastewater Treatment Plant Operator I |
| 3960 - Airport Water Reclamation Facility | 1.0 | Wastewater Treatment Plant Operator II |
| | 2.0 | - TOTAL MUNICIPAL UTILITIES POSITIONS |

5.0 - GRAND TOTAL

PERSONNEL SUMMARY

This table provides information on the number of full time equivalent (FTE) staff over four budget periods and changes to the authorized number of positions by cost center for fiscal year 2003-04. The table captures all transfers, position additions/deletions, as well as positions added through the GAP process. Explanations of these changes are detailed at the cost center level in the Departmental Budgets section of this document.

| | Number of Full Time Equivalent Personnel | | | | | | |
|--------------------------------------|--|--------------------|--------------------|--------------------|-------------------------------|--------------------------|--------------------|
| | 2000-01 Revised | 2001-02 Revised | 2002-03 Adopted | 2002-03 Revised | Transfers as of 7/01/03 | GAP (New) Requests | 2003-04 Adopted |
| General Government | | | | | | | |
| Mayor and Council | 4.000 | 4.000 | 4.000 | 4.000 | 0.000 | 0.000 | 4.000 |
| City Clerk | 6.000 | 6.000 | 6.000 | 6.000 | 0.000 | 0.000 | 6.000 |
| City Manager | | | | | | | |
| City ManagerAdministration | 8.625 | 8.750 | 8.750 | 9.000 | 0.000 | 0.000 | 9.000 |
| Info Tech Administration | 0.000 | 0.000 | 0.000 | 0.000 | 9.000 | 0.000 | 9.000 |
| GIS/IT Applications & Data System | 5.000 | 5.000 | 6.000 | 6.000 | 11.000 | 0.000 | 17.000 |
| IT Infrastructure & Client Support | 25.000 | 30.000 | 35.000 | 36.000 | -20.000 | 0.000 | 16.000 |
| Human Resources | 17.000 | 17.000 | 17.000 | 17.000 | 0.000 | 0.000 | 17.000 |
| Economic Development | 6.000 | 6.000 | 6.000 | 6.000 | 0.000 | 0.000 | 6.000 |
| Downtown Redevelopment | 1.000 | 1.000 | 2.000 | 2.000 | 0.000 | 0.000 | 2.000 |
| | 62.625 | 67.750 | 74.750 | 76.000 | 0.000 | 0.000 | 76.000 |
| Communications/Public Affairs | | | | | | | |
| Communications/Public Affairs | 10.000 | 11.000 | 9.000 | 9.000 | 0.000 | 0.000 | 9.000 |
| Video Production | 0.000 | 0.000 | 3.000 | 3.000 | 0.000 | 0.000 | 3.000 |
| Administrative Services | 5.000 | 5.000 | 6.000 | 6.000 | 0.000 | 0.000 | 6.000 |
| | 15.000 | 16.000 | 18.000 | 18.000 | 0.000 | 0.000 | 18.000 |
| City Magistrate | 39.000 | 40.000 | 41.000 | 41.000 | 0.000 | 0.000 | 41.000 |
| Law | 21.000 | 23.000 | 25.000 | 25.000 | 0.000 | 0.000 | 25.000 |
| Subtotal - General Government | 147.625 | 156.750 | 168.750 | 170.000 | 0.000 | 0.000 | 170.000 |
| Community Services | | | | | | | |
| Center for the Arts | 8.000 | 9.000 | 9.000 | 9.000 | 0.000 | 0.000 | 9.000 |
| Parking Garage | 0.000 | 1.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Building and Facilities | 34.000 | 34.000 | 34.000 | 34.000 | 0.000 | 0.000 | 34.000 |
| Administration | 4.000 | 4.000 | 5.000 | 5.000 | 0.000 | 0.000 | 5.000 |
| Library | 54.750 | 56.750 | 59.250 | 63.250 | 0.000 | 0.000 | 63.250 |
| Parks Development/Operations | 41.250 | 43.500 | 45.500 | 44.500 | 0.000 | 1.000 | 45.500 |
| Recreation | 20.250 | 21.000 | 22.000 | 22.125 | 0.000 | 0.000 | 22.125 |
| | 162.250 | 169.250 | 174.750 | 177.875 | 0.000 | 1.000 | 178.875 |
| Management Services | | | | | | | |
| Administration | 11.000 | 11.000 | 10.000 | 11.000 | -6.000 | 0.000 | 5.000 |
| Budget | 0.000 | 0.000 | 0.000 | 0.000 | 6.000 | 0.000 | 6.000 |
| Purchasing and Warehouse | 13.000 | 13.000 | 13.000 | 13.000 | 0.000 | 0.000 | 13.000 |
| Accounting | 15.000 | 16.000 | 16.000 | 16.000 | 0.000 | 0.000 | 16.000 |
| Licensing/Tax/Utility Services | 35.000 | 35.000 | 35.000 | 34.000 | 0.000 | 2.000 | 36.000 |
| Risk Management | 6.000 | 4.000 | 7.000 | 7.000 | 0.000 | 0.000 | 7.000 |
| Environmental Management | 0.000 | 3.000 | 3.000 | 3.000 | 0.000 | 0.000 | 3.000 |
| Fleet Services | 12.000 | 14.000 | 14.000 | 14.000 | 0.000 | 0.000 | 14.000 |
| | 92.000 | 96.000 | 98.000 | 98.000 | 0.000 | 2.000 | 100.000 |
| Planning and Development | | | | | | | |
| Neighborhood Programs | 1.000 | 1.000 | 2.000 | 2.000 | 0.000 | 0.000 | 2.000 |
| Administration | 11.000 | 14.000 | 14.000 | 14.000 | 0.000 | 0.000 | 14.000 |
| Current Planning | 15.000 | 16.000 | 16.000 | 16.000 | 0.000 | 0.000 | 16.000 |
| Long Range Planning | 4.000 | 4.000 | 4.000 | 4.000 | 0.000 | 0.000 | 4.000 |
| Development Services | 59.000 | 59.000 | 59.000 | 59.000 | 0.000 | 0.000 | 59.000 |
| Housing and Redevelopment | 28.000 | 23.000 | 25.000 | 24.800 | 0.000 | 0.000 | 24.800 |
| Community Development | 0.000 | 5.000 | 5.000 | 5.200 | 0.000 | 0.000 | 5.200 |
| | 118.000 | 122.000 | 125.000 | 125.000 | 0.000 | 0.000 | 125.000 |

Budget Message and Overview

Number of Full Time Equivalent Personnel (continued)

| | 2000-01 Revised | 2001-02 Revised | 2002-03 Adopted | 2002-03 Revised | Transfers as of 7/01/03 | GAP (New) Requests | 2003-04 Adopted |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------------|--------------------------|--------------------|
| Police | | | | | | | |
| Administration | 20.000 | 15.000 | 15.000 | 15.000 | 0.000 | 0.000 | 15.000 |
| Professional Standards | 0.000 | 13.000 | 13.000 | 8.000 | 0.000 | 0.000 | 8.000 |
| Property and Evidence | 4.000 | 4.000 | 4.000 | 4.000 | 0.000 | 0.000 | 4.000 |
| Forensic Sciences | 0.000 | 14.000 | 14.000 | 15.000 | 0.000 | 0.000 | 15.000 |
| Field Operations | 181.000 | 191.000 | 197.000 | 205.000 | 0.000 | 0.000 | 205.000 |
| Criminal Investigations | 56.000 | 51.000 | 52.000 | 64.000 | 0.000 | 0.000 | 64.000 |
| Planning and Research | 7.000 | 9.000 | 9.000 | 9.000 | 0.000 | 0.000 | 9.000 |
| Communications | 48.000 | 46.000 | 46.000 | 46.000 | 0.000 | 0.000 | 46.000 |
| Records | 43.000 | 21.000 | 23.000 | 23.000 | 0.000 | 0.000 | 23.000 |
| Detention Services | 0.000 | 8.000 | 8.000 | 8.000 | 0.000 | 0.000 | 8.000 |
| Community Services | 28.000 | 32.000 | 33.000 | 34.000 | 0.000 | 0.000 | 34.000 |
| Neighborhood Services | 33.000 | 32.000 | 32.000 | 16.000 | 0.000 | 0.000 | 16.000 |
| | 420.000 | 436.000 | 446.000 | 447.000 | 0.000 | 0.000 | 447.000 |
| Fire | | | | | | | |
| Administration | 12.500 | 12.500 | 6.500 | 5.500 | 0.000 | 0.000 | 5.500 |
| Emergency Medical Services | 0.000 | 0.000 | 5.000 | 6.000 | 0.000 | 0.000 | 6.000 |
| Operations | 142.000 | 157.000 | 154.000 | 155.000 | 0.000 | 0.000 | 155.000 |
| Prevention | 6.000 | 6.000 | 6.000 | 6.000 | 0.000 | 0.000 | 6.000 |
| Support Services | 0.000 | 0.000 | 5.000 | 5.000 | 0.000 | 0.000 | 5.000 |
| Training | 0.000 | 0.000 | 3.000 | 4.000 | 0.000 | 0.000 | 4.000 |
| | 160.500 | 175.500 | 179.500 | 181.500 | 0.000 | 0.000 | 181.500 |
| Municipal Utilities | | | | | | | |
| Administration | 6.000 | 6.000 | 4.500 | 4.500 | 0.000 | 0.000 | 4.500 |
| Solid Waste Services | 22.500 | 23.500 | 24.500 | 24.500 | 0.000 | 0.000 | 24.500 |
| Water Distribution | 29.000 | 30.000 | 31.000 | 31.000 | 0.000 | 0.000 | 31.000 |
| Water Production | 36.000 | 39.000 | 39.000 | 39.000 | -3.000 | 0.000 | 36.000 |
| Environmental Resources | 7.000 | 8.000 | 12.000 | 12.000 | 0.000 | 0.000 | 12.000 |
| Water Quality | 11.750 | 11.750 | 11.750 | 12.750 | 0.000 | 0.000 | 12.750 |
| Wastewater Collection | 13.000 | 13.000 | 13.000 | 12.000 | 0.000 | 0.000 | 12.000 |
| Wastewater Reverse Osmosis | 11.000 | 11.000 | 11.000 | 11.000 | 0.000 | 0.000 | 11.000 |
| Wastewater Treatment | 2.000 | 2.000 | 2.000 | 2.000 | 0.000 | 0.000 | 2.000 |
| Wastewater Quality | 5.250 | 5.250 | 5.250 | 5.250 | 0.000 | 0.000 | 5.250 |
| Airport Water Reclamation Facility | 9.000 | 9.000 | 9.000 | 9.000 | 3.000 | 2.000 | 14.000 |
| | 152.500 | 158.500 | 163.000 | 163.000 | 0.000 | 2.000 | 165.000 |
| Public Works Department | | | | | | | |
| Administration | 7.000 | 6.000 | 3.500 | 3.500 | 0.000 | 0.000 | 3.500 |
| Engineering | 53.000 | 55.000 | 56.000 | 56.000 | 0.000 | 0.000 | 56.000 |
| Transportation/Operations Admin. | 6.600 | 7.000 | 6.625 | 6.625 | 0.000 | 0.000 | 6.625 |
| Parking Garage | 1.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Streets | 33.500 | 35.500 | 35.500 | 35.500 | 0.000 | 0.000 | 35.500 |
| Traffic Engineering | 26.000 | 26.000 | 26.000 | 26.000 | 0.000 | 0.000 | 26.000 |
| Transit Services | 2.000 | 3.000 | 3.000 | 3.000 | 0.000 | 0.000 | 3.000 |
| Street Sweeping | 7.000 | 8.000 | 8.000 | 8.000 | 0.000 | 0.000 | 8.000 |
| Airport | 6.000 | 6.000 | 6.000 | 6.000 | 0.000 | 0.000 | 6.000 |
| | 142.100 | 146.500 | 144.625 | 144.625 | 0.000 | 0.000 | 144.625 |
| CITY TOTAL | 1394.975 | 1460.500 | 1499.625 | 1507.000 | 0.000 | 5.000 | 1512.000 |
| Population ⁽¹⁾ | 189,498 | 201,263 | 205,089 | 212,541 | | | 224,626 |
| Employees Per 1,000 Population | 7.4 | 7.3 | 7.3 | 7.1 | | | 6.7 |

⁽¹⁾ Population figures represent actual on June 30 for 2000-01 and 2001-02. The 2002-03 revised is based on a projection for June 30, 2003; the 2003-04 figure is a June 30, 2004 projection as provided by Long Range Planning.

The chart below shows Chandler's population growth over the past decade and the number of employees per 1,000 population.

